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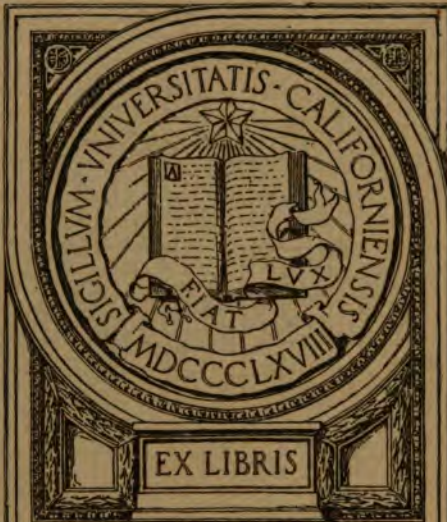
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**A FINANCIAL HISTORY  
OF  
THE PHILADELPHIA  
ELECTRIC COMPANY**

**BY**

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**THIS ANALYSIS SHOWS THAT**

- 1 THIS COMPANY IS IN ABSOLUTE CONTROL OF THE ELECTRIC LIGHT AND POWER BUSINESS IN THE CITY OF PHILADELPHIA.**
- 2 IT WAS OVERCAPITALIZED BY MORE THAN \$20,000,000 AT THE TIME OF ITS FORMATION IN 1899.**
- 3 IN SPITE OF THIS TREMENDOUS OVERCAPITALIZATION, IT HAS BEEN ABLE TO MAINTAIN INTEREST ON ITS BONDS AND SINCE 1902 DIVIDENDS ON ITS STOCK, THESE DIVIDENDS NOW BEING AT THE RATE OF 7 PER CENT. PER ANNUM.**
- 4 IN ORDER TO MAINTAIN THESE INTEREST AND DIVIDEND PAYMENTS THE CITY OF PHILADELPHIA AND ITS CITIZENS HAVE EACH YEAR PAID NEARLY \$1,000,000 IN EXCESS OF A FAIR CHARGE FOR SERVICE RENDERED.**

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**WHILE OVERCAPITALIZATION IS COMMON AMONG UTILITY COMPANIES, THE PHILADELPHIA ELECTRIC COMPANY IS ONE OF THE WORST OFFENDERS IN THIS RESPECT.**

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TO THE  
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PHILADELPHIA**

**1914**

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# FINANCIAL HISTORY OF THE PHILADELPHIA ELECTRIC COMPANY

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## FOREWORD

When the Philadelphia Electric Company was incorporated in 1899 it was over-capitalized to the extent of at least \$20,000,000. Because of this Philadelphia and its citizens have been paying each year for electricity nearly \$1,000,000 more than would otherwise have been necessary. Having absolute control of the business of furnishing electric current there was nothing to restrain the company from placing its charges at the point which it was thought would yield the maximum net returns.

This policy was followed. Interest payments on bonds have been met with unfailing regularity and as early as 1902 dividends were paid on the stock. By 1903, only four years after the incorporation of the company, these dividends rose to 5 per cent. per annum, and since 1913 have been at the rate of 7 per cent. Moreover, the last report issued shows that on December 31, 1914, there was on hand, after dividend payments of \$1,574,000, a surplus of nearly as much more. To be exact this surplus was \$1,471,747.

This situation was brought about by organizing a series of holding companies. One after the other, singly and in groups, the numerous electric properties throughout the city were brought together, until, in 1902, the acquisition of the Kensington Electric Company completed the process. The Philadelphia Electric Company owns all or nearly all of the stock of five other companies, three of which are themselves holding companies.

At the basis of this complicated structure are some twenty-five operating companies. Their independence of action has, of



course, entirely disappeared; but their corporate organization and their securities still exist.

Prior to 1895 a number of companies, including the Brush, United States, Philadelphia, Northern, Penn, and perhaps the Columbia, were brought together as the "Electric Trust". Closely associated with them was the Edison, which leased certain conduits belonging to the Penn. In order to consolidate this organization there was incorporated in 1895 the Pennsylvania Heat, Light & Power Company. This new company acquired nearly all of the stock of the companies in the group. On this stock there had been paid in by the stockholders no more than \$3,131,200, but the new company issued an enormous volume of new securities, the net increase amounting to \$6,763,100.

The next step was to incorporate in 1898 the Pennsylvania Manufacturing Light and Power Company which acquired the Pennsylvania Heat, Light and Power Company (the holding company just mentioned) and a number of other companies including the Hamilton, Powelton, Manufacturers', Diamond, Suburban, Wissahickon, West End, Bala and Merion, Germantown and Keystone companies. Again there was an increase in the volume of outstanding securities, this time amounting to \$2,076,811.

In 1899 four companies, *i. e.*, the Southern, Overbrook, Beacon and Cheltenham, were brought together by incorporating the National Electric Company. Once more there was an increase in securities, the expansion in this instance amounting to \$2,825,960.

This last step had brought all but one of the companies operating within the city limits, and several outside companies as well, under the control of two large holding companies, the Pennsylvania Manufacturing Light and Power Company and the National Electric Company. To bring them together the Philadelphia Electric Company was incorporated in New Jersey on October 5, 1899. The two holding companies just mentioned were acquired with still another increase in securities, this last expansion amounting to \$9,139,732. There was thus a total increase of \$20,805,603 in outstanding securities through the organization one after the other of these four holding companies.

These estimates are carefully worked out in the main part of this report where the evidence will be found presented in detail; a careful examination of the data there submitted will show that these conclusions are conservative. It has nowhere been assumed that security issues were excessive. In every case of doubt it has been taken for granted that the outstanding stocks and bonds represented actual payments to the companies by the security holders. It may well be that \$20,805,603 is altogether too low a figure. Accusations have frequently been made that in still other instances stock was issued "full paid" when actually little or no cash was received for it. To the extent that such charges are true the conclusions just stated are too conservative. The figure given is a minimum and not a maximum.

To the city and people of Philadelphia these increases were of great importance. The movement throughout was characterized by the policy of turning stock into bonds. Each holding company issued its bonds in payment for the stock of the companies it acquired and then put out in addition a large volume of its own stock. Even had there been no increase in the volume of securities this would have been serious. If any one or all of the small companies had failed to pay dividends on its stock, the general public would have been little concerned. Owners of stock would merely have been said to have risked their funds in an unsuccessful enterprise. Changing the stock into the bonds of the holding companies, however, altered the situation. Bondholders are technically not owners but creditors. Failure to receive interest on bonds has the appearance of serious misfortune. Ability of the companies to meet these payments is viewed as essential. The inability of a public service corporation to do so seems to be *prima facie* evidence of a need for higher rates. Stockholders who can thus readily turn their stock into bonds have thereby greatly strengthened their position. Outward appearances are in their favor.

At each stage of the consolidation process additional securities were issued. Stock of underlying companies was in each case exchanged for the bonds of the new holding company and these exchanges were usually at very high prices. Then a large volume

of the stock of the holding company was issued. Purchasers of this stock ordinarily paid but little for it but in a few months or perhaps years exchanged it on favorable terms for the bonds of the new holding company.

An illustration is found in the preferred stock of Pennsylvania Heat, Light and Power Company. This stock had a par value of \$50 per share but there was paid in on it only \$35 per share; yet bonds of Pennsylvania Manufacturing Light and Power Company were later given for it on the basis of \$66 per share. The common stock of this same company had been issued as a bonus to preferred stockholders and yet it was purchased in the same manner for \$24 per share.

A still higher price was paid for the stock of Pennsylvania Manufacturing Light and Power Company. On this only \$5 per share was ever paid but it was purchased in 1899 with bonds of Philadelphia Electric Company for \$35 per share.

Philadelphia Electric Company at the present time is responsible directly or through guarantee for interest payments on \$28,276,502 of bonds which were issued in exchange for stock in the manner described. Some of this interest is at the rate of 4 per cent. and some at 5 per cent., all the interest payments thereon amounting to \$1,263,683 each year.

It is, of course, maintained that no matter how excessive these security issues may have been, the company has in later years invested large amounts in the property and that its actual value is now equal to the amount of its bonds and stock. Only an accurate appraisal can settle this point and it has been announced that an appraisal is now under way.

In the meantime it may be pointed out that an increase in the value of the properties sufficient to offset the \$20,805,603 that was mentioned, must have come from earnings and have been possible only because the rates charged were more than sufficient to meet operating expenses and pay interest and dividends on the outstanding bonds and stock.

This presents two general alternatives. If rates charged have been high enough to make this possible and the value of the property is now equal to the security issues, it should now be

possible and proper to reduce the rates. Present charges would certainly be unnecessarily high.

If, however, an accurate appraisal shows that this increase in value has not been accomplished, it is evident that the rates are high enough to pay a return on a capitalization that is still inflated. In either case it seems clear that the rates should and could be reduced.

In the following pages will be found the detailed evidence in support of the conclusions thus briefly stated.

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To present clearly the history of Philadelphia Electric Company it is necessary to explain the electric light situation in Philadelphia twenty and more years ago. The organization of today is a consolidation of a large number of small companies and has attained its present form through a process of gradual development. All of the facts regarding this growth are not available to the public and a history written by one who did not participate in the events is necessarily incomplete. In the following account there are included only statements that have been very carefully verified. As a method of guarding against error frequent footnotes have been introduced in support of all important facts.

By the end of 1896 there had been formed 19 different companies to furnish electricity within Philadelphia. These companies are given in the accompanying table (designated as table I). For each company there is indicated the date of incorporation, the amount of capital stock authorized, the amount of stock issued, the amount "paid in" on the stock issued, and the amount of bonds outstanding.<sup>1</sup>

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<sup>1</sup> The information presented in this table has been compiled from a statement by Philadelphia Electric Company to the Philadelphia Stock Exchange on January 31, 1902, and presumably all of the facts are as of that date.

TABLE I

**SECURITIES ISSUED BY ORIGINAL ELECTRIC LIGHT COMPANIES  
OPERATING IN THE CITY OF PHILADELPHIA**

Names of companies	Date of incorporation	Authorized capital	Issued capital	Amount "paid in" on stock issued	Bonds outstanding
Edison Electric Light Co. of Philadelphia.....	1886	\$2 000 000	\$2 000 000	\$2 000 000	.....
Brush Electric Light Co. of Philadelphia.....	1881	1 000 000	1 000 000	1 000 000	.....
United States Electric Lighting Co. of Pennsylvania..	1881	1 000 000	1 000 000	1 000 000	.....
Philadelphia Electric Lighting Co.....	1882	50 000	50 000	50 000	.....
Powelton Electric Co.....	1890	600 000	599 140	599 140	.....
Bala & Merion Electric Co..	1891	100 000	50 300	50 300	.....
Northern Electric Light & Power Co.....	1885	1 000 000	650 000	650 000	.....
Suburban Electric Co.....	1890	500 000	399 840	399 840	.....
Diamond Electric Co.....	1890	250 000	250 000	250 000	.....
Manufacturers' Electric Co..	1890	250 000	250 000	250 000	.....
West End Electric Co.....	1890	250 000	237 600	237 600	\$70 000
Germantown Electric Light Co.....	1884	150 000	125 000	125 000	.....
Wissahickon Electric Light Co.....	1893	250 000	200 000	200 000	.....
Columbia Electric Light Co.	1892	100 000	66 300	66 300	28 000
Hamilton Electric Co.....	1896	1 370 000	1 370 000	137 000	.....
Penn Electric Light Co.....	1887	1 000 000	882 248	882 248	.....
Southern Electric Light & Power Co.....	1890	2 000 000	500 000	500 000	.....
Keystone Light & Power Co.	1886	1 000 000	124 950	124 950	.....
Kensington Electric Co.....	1893	150 350	150 350	150 350	.....
<b>Totals.....</b>	<b>.....</b>	<b>\$13 020 350</b>	<b>\$9 905 728</b>	<b>\$8 672 728</b>	<b>\$98 000</b>

Total amount "paid in" on stock issued..... \$8 672 728

Total bonds..... 98 000

Total amount "paid in" on securities issued..... \$8 770 728

Of this list, Edison Electric Light Company had the largest capitalization and Philadelphia Electric Lighting Company the smallest. The aggregate amount of authorized capital was \$13,020,350, of which \$9,905,728 had been issued. Only \$8,672,728 had, however, been "paid in". The difference of \$1,233,000 between the amount issued and the amount "paid in" is due to the fact that only 10 per cent. or one dollar had been paid on each of the \$10 shares of the Hamilton Electric Company.

**"ELECTRIC TRUST"**

Although there are 19 different companies in this list their operations had for some years prior to 1896 not been entirely independent. There were numerous accusations of agreements among them. Passing by all general charges and confining our attention to those of which definite evidence exists we may examine them in groups. Table II includes 6 that were very closely associated.

**TABLE II**

Names of companies	Authorized capital	Capital issued	Amount "paid in" on stock issued	Number of shares	Par value per share
Edison Electric Light Co..	\$2 000 000	\$2 000 000	\$2 000 000	20 000	\$100
Brush Electric Light Co....	1 000 000	1 000 000	1 000 000	10 000	100
U. S. Electric Lighting Co.	1 000 000	1 000 000	1 000 000	20 000	50
Philadelphia Electric Lighting Co.....	50 000	50 000	50 000	1 000	50
Penn Electric Light Co....	1 000 000	882 248	882 248	1 000 000	1
Northern Electric Light & Power Co.....	1 000 000	650 000	650 000	100 000	10
Totals.....	\$6 050 000	\$5 582 248	\$5 582 248		

All of these companies were incorporated in Pennsylvania, except the Penn Electric Light Company which had received its charter from New Jersey. Before describing the relations between them a few facts regarding several of them should be recited.

Edison Electric Light Company is the most important in the list. It was chartered December 13, 1886, and its average capitalization for the period from 1886 to 1894 was \$1,255,412. Dividends were paid by the company during this period as shown in table III.

TABLE III

*Dividends paid by Edison Electric Light Company of Philadelphia  
from its organization in 1886 to the end of 1894*

October 1, 1892, 20 per cent. stock dividend, return for money expended for plant.....	\$200 000
March 31, 1894, 5 per cent. stock dividend, return for money expended for plant.....	87 500
April 1, 1892, 3 per cent. cash.....	30 000
October 1, 1892, 4 per cent. cash.....	40 000
December 31, 1892, 2 per cent. cash.....	29 456
March 31, 1893, 2 per cent. cash.....	29 460
June 30, 1893, 2 per cent. cash.....	29 460
September 30, 1893, 2 per cent. cash.....	29 460
September 30, 1893, extra 2 per cent. cash.....	29 460
December 30, 1893, 2 per cent. cash.....	34 404
March 31, 1894, 2 per cent. cash.....	34 446
June 30, 1894, 2 per cent. cash.....	36 908
September 30, 1894, 2 per cent. cash.....	36 930
December 31, 1894, 2 per cent. cash.....	36 934
Total dividend for 8 years.....	<hr/> \$684 418 <hr/>

The total dividends paid during the eight years being \$684,418 on an average capital of \$1,255,412, the average annual dividend was 6.81 per cent.<sup>1</sup>

The balance sheet at the close of the year 1895 and the income account for that year were as follows, the former being taken from the Daily Philadelphia Stockholder of February 17, 1896, and the latter from the Public Ledger of January 23, 1896.

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<sup>1</sup> This information about the dividends paid by the company has been taken from a letter to President William D. Marks written by the Treasurer of the company on January 4, 1895.

*Balance Sheet*

<i>Assets</i>		<i>Liabilities</i>	
Charter.....	\$5 090 60	Capital stock.....	\$1 984 722 22
Patents.....	349 722 22	Mortgage.....	40 000 00
Permanent plant.....	1 596 329 74	Accounts payable...	9 752 49
Cash.....	30 419 29	Consumers' deposits	490 00
Cash payments on capital stock advanced.....	16 055 97	Profit and loss.....	68 709 02
Bills receivable (sub-ledger).....	5 009 04		
Bills receivable, light and power..	25 896 45		
Legal collections.....	7 392 19		
Capital stock in treasury.....	876 06		
Lease election expenses.....	130 80		
Real estate.....	21 000 00		
Phila. Steam, Heat & Power Co..	1 064 20		
Inventory.....	44 687 17		
	<hr/>		<hr/>
	\$2 103 673 73		\$2 103 673 73

*Income Account*

Four 2 per cent. cash dividends.....	\$147 764 00		
Bills written for light and power.....		\$423 479 54	
Profit on merchandise.....		7 134 07	
Interest.....		612 60	
Services.....		124 86	
Collective lamp profits.....		7 159 30	
		<hr/>	
		\$438 510 37	
Recapitulation			
Cash dividends and operating expenses.....	\$382 240 30		
Undivided profits carried over.....	68 709 02		
		<hr/>	
		\$450 949 32	
Dividends of 1895.....		147 764 00	
Undivided profits of 1895.....		52 459 10	
		<hr/>	
Total profit for year 1895.....		\$200 223 10	

A comparison of the information in this balance sheet, the income account and the letter to President Marks shows the company to have been very prosperous. Two stock dividends amounting to \$287,500 were paid in 1892 and 1894 as a return for money expended for plant, this money presumably having been taken from earnings. Subtracting this from the \$1,984,722 of stock given in the 1895 balance sheet we have \$1,697,222. This sum seems to be the amount that was invested in the property in direct payments by the stockholders in cash and patents. The remainder of the capital had been accumulated from the earnings of the company and had been reinvested



in the property. Stock was then issued to represent this investment. In 1895 four 2 per cent. cash dividends were paid, a total of 8 per cent. which amounted to \$147,764. In that year the profits were over 10 per cent. of the capital.

Less information is available concerning the other companies in the list. Brush Electric Light Company, incorporated in 1881, is stated in Charter Book No. 5, page 537, to have issued \$200,000 stock, 10 per cent. paid in, and it is also stated that 1000 full paid shares "*will be issued for patent rights*". This account is not clear, as it leaves \$80,000 of a capitalization of \$200,000 unexplained. Other references, however, make quite clear the fact that the capitalization was later increased and that much of the company's stock did not represent cash payments. Thus there is a statement in Select Council by Mr. Hawkes,<sup>1</sup> who alleged that of the \$1,000,000 paid up capital, \$800,000 was for the purchase of patent rights. Also Arthur H. Lea testified on December 4, 1895, that the reports of the Auditor General of Pennsylvania showed that \$800,000 of the company's stock had been issued for patents.<sup>2</sup>

United States Electric Lighting Company was originally incorporated in 1881 as Maxim Electric Light and Power Company, its name being changed in 1883. Of its \$1,000,000 stock, \$950,000 was given for patent rights and \$50,000 for cash.<sup>3</sup>

Penn Electric Light Company was incorporated in New Jersey in 1887 with a capitalization of \$1,000,000 in shares of \$1 each. Although the shares were "full paid", there was actually invested in cash only about \$10,000.<sup>2</sup> This company was authorized to lay conduits in the streets of Philadelphia and then rented the use of the conduits. The charge made to the Edison Electric Light Company for their use in 1895 was at the rate of \$13,000 per annum.

It is very evident from the information available that the \$5,582,248 full paid stock that had been issued by this group

<sup>1</sup> See Public Ledger, Vol. CXVII, No. 6.

<sup>2</sup> Testimony of Wm. D. Marks and Arthur H. Lea on December 4 and 5, 1895, before a committee of the Pennsylvania House of Representatives appointed in the session of 1892 and 1893 to investigate electric lighting in the County of Philadelphia.

<sup>3</sup> Charter Book No. 6, p. 91.

of six companies was considerably in excess of any actual cash investment in their properties aside from patents. Active competition between them would, of course, have made difficult, if not impossible, the payment of any return to the stockholders. The method adopted to prevent competition is of interest.

Brush Electric Light Company, United States Electric Light Company, and Philadelphia Electric Lighting Company comprised what was known as "Electric Trust," whose trustees in 1896 were J. Lowber Welsh, Thomas Dolan, William Wood, Richard Brock, Clement B. Newbold, George W. Hill, John Boyd and A. J. De Camp.<sup>1</sup> There is some confusion in the accounts of this organization. Apparently it was not incorporated, but was literally a trust. In the Philadelphia Press of January 3, 1892, and the Public Ledger of January 4, 1892, will be found an account taken from affidavits presented on January 2, 1892, in an injunction suit brought in Court of Common Pleas No. 3 before Judges Finletter and Gordon. It was alleged that the three companies named formed a trust on September 20, 1885, and at this time (1892) had offices in the Mutual Life Building (10th and Chestnut Streets). In exchange for shares of stock of the three companies deposited with the trustees, trust certificates were issued, part of which were noncumulative preferred and part of which were common. The Electric Trust also held either a majority or exactly one-half of the stock of Northern Electric Light and Power Company and a controlling interest in Penn Electric Light Company. Electric Trust certificates or shares were issued to the amount of \$500,000 of preferred and \$3,144,000 of common, or a total of \$3,644,000. No reference has been found as to the terms of exchange except that F. W. Kennedy received 4 preferred certificates of \$100 each in exchange for 50 shares of United States Electric Lighting Company stock.<sup>2</sup> This combination was also alleged<sup>3</sup> to have entered into a combination and conspiracy with the Southern, Powelton, Wissahickon,

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<sup>1</sup> Public Ledger May 16, 1896.

<sup>2</sup> Public Ledger, January 4, 1892.

<sup>3</sup> Idem.

Diamond, Manufacturers', Germantown and Suburban companies to farm out among themselves the work of lighting with electricity the streets of the city.

In 1893 a special committee of the House of Representatives of the Pennsylvania State Legislature was appointed to investigate the electric light combine in Philadelphia, the chairman being Major Samuel A. Losch. At a hearing held on April 28, 1893,<sup>1</sup> the relations between Penn Electric Company and Electric Trust were explained as follows:

Penn Electric Company was capitalized at \$1,000,000. There were at that time 1,000,000 shares, of which 800,000 were issued and 200,000 held in the treasury. Of the stock issued, a considerable amount was subject to a document drawn up in May, 1887, known as the "Dolan Agreement". This was made by James McManes, David H. Lane and George E. Vickers on one side, and Thomas Dolan on the other. Mr. Dolan was to buy 200,000 shares and to have the irrevocable right to vote 160,000 additional shares, the persons buying these shares taking them only on the condition that they consent to this arrangement. Mr. Dolan paid for his own shares (number not given) \$60,000 in cash and \$100,000 in Electric Trust certificates. This was sufficient to give control of Penn Electric to the Electric Trust, of which Thomas Dolan was a trustee.

Under another agreement drawn up on July 14, 1887, and signed by John Lowber Welsh and Benton K. Jamison, \$45,000 was paid for 75,000 shares of Penn stock which was transferred to Electric Trust, these shares also being voted by Thomas Dolan. The Penn Company had an agreement with the Edison Company giving to the latter the exclusive right to Penn conduits, an agreement which prevented other companies, especially Western Union, from using them. The net result was that the Penn Company was said not to be profitable.<sup>2</sup> It is difficult to believe, however, that this was true for long. If it be correct that only \$10,000 was paid in on the \$1,000,000 of stock and also true that Edison Electric Light Company paid \$13,000 in rentals for the Penn conduits in 1895 there was certainly an excellent return on the actual investment at that time. Measured on the \$1,000,000 of stock issued the return was, of course, very small.

This description is inserted to illustrate the close relation-

<sup>1</sup> Philadelphia Press, April 29, 1893.

Philadelphia Record, April 29, 1893.

Philadelphia Times, April 29, 1893.

<sup>2</sup> Ibid. Also report of Chairman Samuel A. Losch of Committee of Pennsylvania House of Representatives appointed during the session of 1892 and 1894 to "investigate electric lighting in the County of Philadelphia."

ship existing between the various companies named. Of the six named above five were closely united under the Electric Trust, while the contract between the Penn and Edison Companies shows a close relationship among all six.

#### PENNSYLVANIA HEAT, LIGHT AND POWER COMPANY

To unite them still more closely and as a preliminary to further consolidations, the Pennsylvania Heat, Light and Power Company was incorporated on February 18, 1895, in Pennsylvania, with a nominal capital of \$10,000, for the purpose of receiving an ordinance previously introduced and subsequently passed by Councils of Philadelphia and approved by the mayor July 3, 1895. This capitalization was later increased to \$10,000,000, of which \$5,000,000 was common and \$5,000,000 was 6 per cent. cumulative preferred. The common stock "was issued full paid for certain patent rights, real estate and securities". On the preferred stock there was paid in 30 per cent., or \$15 on each \$50 share, a total of \$1,500,000. In March, 1896, it offered to lease the Edison Electric Light Company of Philadelphia for a period of 99 years at a guaranteed dividend of 8 per cent. per annum for the first two years and 9 per cent. per annum thereafter, at the same time also offering to Edison Electric Light Company stockholders \$50 in cash and \$100 in 5 per cent. collateral trust certificates for each share of Edison Electric Light Company stock. Nearly all the stockholders accepted this latter offer and the trust certificates were issued, secured by the deposit of the Edison Electric Light Company stock with City Trust Safe Deposit and Surety Company as trustee.<sup>1</sup>

There were 20,000 shares of Edison Electric Light stock with a par value of \$100 each. Later reports of Philadelphia Electric Company show that \$1,999,900 of this stock, or all but one share, was finally secured, and that \$1,994,300 of this amount was pledged as security for the Edison Electric Light Company 5 per cent. collateral trust certificates with which the payment was in part made. The purchase thus necessitated

<sup>1</sup> See Philadelphia Daily Stockholder, February 17, 1896, and Commercial and Financial Chronicle, February 29, 1896, p. 415.

the payment for the Edison Electric Light stock of (1) \$1,999,900 [par value] 5 per cent. collateral trust certificates, and (2) \$50 cash for each of the 19,999 shares purchased, or \$999,950. This was a total of \$2,999,850—almost \$3,000,000.

After these transactions were completed the capitalization of Pennsylvania Heat, Light and Power Company (including funded debt) was as follows:

Stock:

Common .....	\$5,000,000
Preferred (6 per cent.) .....	5,000,000
Collateral trust certificates (5 per cent.) .....	1,999,900
<hr/>	
Total .....	\$11,999,900

In May, 1896, negotiations were said to be in progress between the Pennsylvania Heat, Light and Power Company and the group described above as the "Electric Trust." On May 25 an agreement was ratified by which the former paid for the latter at \$130 each for the preferred certificates and \$40 each for the common<sup>1</sup>. The total cost of the purchase was \$650,000 for the 5000 shares of preferred stock at \$130 each and \$1,257,600 for the 31,440 shares of common stock at \$40 each, or a total of \$1,907,600. There was at this time issued a call for \$20 per share to be made on the preferred stock of Pennsylvania Heat, Light and Power Company to raise the cash needed. This call for cash brought the total payments up to \$35 per share, or 70 per cent. of par value. Payments for Electric Trust stock were to be one-fourth cash on June 15th, and the balance in three instalments, the last of which was due early in 1897. The call on the preferred stock for \$20 per share was for four instalments, the first due on June 15, 1896, and the others in September and December, 1896, and March, 1897.

The structure of Pennsylvania Heat, Light and Power Company at the end of these transactions may be represented as follows:

<sup>1</sup> See Public Ledger, May 16, 1896, and Commercial and Financial Chronicle, May 30, 1896, pp. 989 and 990.

Pennsylvania Heat, Light and Power Company.....	{	1. Edison Electric Light Company	{	a. Brush Electric Light Company
		2. Electric Trust of Philadelphia.		b. United States Electric Lighting Company
				c. Northern Electric Light and Power Company (50 per cent.)
				d. Philadelphia Electric Lighting Company
				e. Penn Electric Light Company

As "Electric Trust" was not incorporated, it was probably dissolved. The structure would then appear thus:

Pennsylvania Heat, Light and Power Company.....	{	1. Edison Electric Light Company
		2. Brush Electric Light Company
		3. United States Electric Lighting Company
		4. Northern Electric Light and Power Company (5 per cent.)
		5. Philadelphia Electric Lighting Company.
		6. Penn Electric Light Company

To the above list there should perhaps be added Columbia Electric Light Company, incorporated in Pennsylvania on November 23, 1892, with an authorized capital of \$100,000 (1000 shares at par of \$100 each) of which 663 shares, or \$66,300, were issued full paid. Also there were \$30,000 of 5½ per cent. ten year bonds due March 1, 1903, of which \$2000 were in the sinking fund and \$28,000 outstanding in 1902. The entire issue of bonds was owned by Pennsylvania Heat, Light and Power Company.<sup>1</sup>

Perhaps a summary at this point will be helpful. Companies had been consolidated and their stock held by Pennsylvania Heat, Light and Power Company as follows. The amounts acquired are as given in the report to the Stock Exchange in 1902.

<sup>1</sup> Statement of Philadelphia Electric Company to Stock Exchange in 1902.

Edison Electric Light Company.....	\$1 999 900
Brush Electric Light Company.....	1 000 000
United States Electric Lighting Company.....	1 000 000
Philadelphia Electric Lighting Company.....	50 000
Northern Electric Light and Power Company.....	325 000
Penn Electric Light Company.....	618 486
	<hr/>
	\$4 993 386
Adding Columbia Electric Light Company's \$66 300 stock and \$30 000 bonds.....	96 300
	<hr/>
	\$5 089 686

These securities, aggregating a par value of \$5,089,686, were acquired for a total in cash and trust certificates of \$2,999,850 for the Edison and \$1,907,600 for the "Electric Trust" group, a total of \$4,907,450. As an offset against the securities thus acquired there were issued securities of Pennsylvania Heat, Light and Power Company as follows:

Stock:

Preferred (Par \$5,000,000—70 per cent. paid) ..	\$3,500,000
Common .....	5,000,000
Collateral trust certificates (5 per cent.).....	1,994,300
	<hr/>
	\$10,494,300

These changes are very important. By them there had been brought together six or perhaps seven separate companies. Aside from any consequences that might arise from the monopolistic situation thus created there had come about a large increase in the amount of outstanding securities. The extent of this increase may be stated with some accuracy.

We have just noted that there had been brought into the consolidation full paid stock and bonds of these companies to the amount of \$5,089,686. We have also observed that not all of this represented an actual investment in the properties. Brush Electric Light Company had issued \$800,000 of its \$1,000,000 of stock in return for patents, no more than \$200,000 being invested in other forms; United States Electric Lighting Company had issued \$950,000 for patents and only \$50,000 for cash; and Penn Electric Light Company had, according to the testimony of

William D. Marks cited above, invested only about \$10,000, the occasion for issuing the remainder of the stock not being clear. No information is at hand regarding the other companies.

Assuming an investment of cash except where there is evidence to the contrary, we might summarize the original investments in the property (other than patents) thus:

Edison Electric Light Company.....	\$1 999 900
Brush Electric Light Company.....	200 000
United States Electric Lighting Company.....	50 000
Philadelphia Electric Lighting Company.....	50 000
Northern Electric Light and Power Company.....	325 000
Penn Electric Light Company.....	10 000
Columbia Electric Light Company.....	96 300
<b>Total.....</b>	<b>\$2 731 200</b>

The stock of the Edison Company includes that issued for patents. Just how much should be allowed for the Brush Electric Light Company and United States Electric Lighting Company patents it is, of course, difficult to decide, but we shall perhaps be generous if we add \$200,000 in each case, or a total of \$400,000. This would raise the \$2,731,200 to \$3,131,200.

That there had actually been relatively little cash originally invested in the properties is borne out by the report of Chairman Losch of the Legislative Committee previously mentioned. In it there is this assertion:

When the representative of the Electric Trust was upon the stand for a witness he was asked if the trust has been organized for the purpose of establishing a monopoly. He denied that it was intended to form a monopoly and alleged that it was formed for the purpose of supplying additional capital for the operations of the companies controlled by the Trust, which had exhausted their capital principally by issuing it full paid for patents.

In exchange for securities that seem to represent an investment of no more than \$3,131,200, there was given \$2,907,550 in cash (\$999,950 for Edison stock and \$1,907,600 for Electric Trust certificates) and \$1,999,900 in 5 per cent. certificates of the new company. Of the \$3,500,000 cash that was paid in on the Pennsylvania Heat, Light and Power Company preferred stock there



was left about \$600,000. In other words, property worth approximately \$3,131,200 had been acquired and an additional \$600,000 in cash was presumably on hand, the two combined being \$3,731,200. Liabilities had been assumed as already noted to the sum of \$10,494,300. The difference between them is \$6,763,100. Here, as elsewhere, we should not ignore the possibility that a considerable part of the earnings of these companies may have been reinvested in their plants. On this point, however, the writer has no information.

Another way of stating what had occurred is to point out that, prior to the consolidation we have just explained, this group of companies had no fixed charges to meet with the exception of the interest on the \$30,000 of 5½ per cent. bonds of the Columbia Electric Light Company. This charge was \$1650 per year. In the consolidation there had been issued \$1,994,300 of 5 per cent. trust certificates. Interest on this is \$99,715 per annum and was an annual fixed charge to be met before any dividends could be paid on the stock of the new company. Also 6 per cent. dividends on the \$3,500,000 that had been paid in on the preferred stock added \$210,000 to be furnished from earnings before holders of the common stock could receive any return. Prior to the consolidation only \$1650 per year stood ahead of dividends on the common stock of the companies, but after consolidation there was this same \$1650 interest on the bonds of the Columbia Electric Light Company, \$99,715 interest on the new trust certificates and \$210,000 dividends on the preferred stock, or a total of \$311,365 ahead of dividends on the common stock of the new company. The value of the assets held had increased very little, but to those uninitiated in what had occurred the situation was changed. Apparently the properties were now worth at least \$10,494,300, and charges for service that would permit a return of 5 per cent. on the trust certificates and 6 per cent. on the stock (both preferred and common), or a total of \$609,715 per annum would not be unreasonable. This calls for emphasis because the practice of turning stock whose dividends are not a fixed charge into bonds (or certificates) whose interest is a fixed charge and of then issuing a large amount of

new stock was followed in later consolidations which we are soon to examine.

Edison Electric Light Company had paid \$147,764 in cash dividends in 1895. Companies comprising Electric Trust had been averaging 3 per cent. dividends, or \$109,320 on the \$3,644,000 common and preferred certificates outstanding.<sup>1</sup> These two combined total \$257,084 as the annual dividends prior to the consolidation. This may be contrasted with the \$609,715 now needed to give a "fair" return on the outstanding securities. Decreased expenses or larger earnings seemed imperative.

Both these results were apparently realized as Pennsylvania Heat, Light and Power Company reported net profits of \$275,194 for the year ending September 30, 1896. Interest for 6 months on the trust certificates called for \$49,502 (indicating about \$1,980,000 of the certificates outstanding at that time) and 6 per cent. dividends on preferred took \$79,000 more. (Note that the dividends were at the rate of 6 per cent. on the amount paid in, from time of payment to October 1, 1896.) This left undivided profits of \$146,692. In the last nine months of the period \$120,000 had been spent on construction and betterments. For the year ending June 30, 1897, there was a surplus of \$151,892 after dividends of 6 per cent. on amount paid in and 2 per cent. on both preferred and common. Operating expenses had decreased \$35,309 and business showed an increase of \$49,309 while \$218,749 had been spent for extensions and improvements.<sup>2</sup> Some of these statements are ambiguous, but apparently the company was prospering.

#### PENNSYLVANIA MANUFACTURING LIGHT AND POWER COMPANY

Thus far we have been analyzing only Pennsylvania Heat, Light and Power Company. The next step is to explain the terms on which it was taken over by Pennsylvania Manufacturing Light and Power Company. Pennsylvania Manufacturing Light and Power Company was incorporated in New Jersey on February 3, 1898, and issued \$15,000,000 of stock (300,000 shares—par \$50), on which 10 per cent. or \$1,500,000 was paid.

<sup>1</sup> The Commercial and Financial Chronicle, May 30, 1896, pp. 989-90.

<sup>2</sup> See Commercial and Financial Chronicle for October 31, 1896, p. 793.

A circular was at once issued by its secretary, William P. Conover, Jr., to the stockholders of the Pennsylvania Heat, Light and Power Company who had not yet come into the consolidation, in which it was announced that the Pennsylvania Manufacturing Light and Power Company had already "acquired a majority of the shares of stock of the Pennsylvania Heat, Light and Power Company for a consideration payable in its 50-year 5 per cent. gold trust certificates, at the rate of \$66 for each share of the preferred stock and of \$24 for each share of the common stock with the right to subscribe for one share of the stock of this company of the par value of \$50 per share for every four shares of the common or of the preferred stock of the Pennsylvania Heat, Light and Power Company purchased, upon which subscriptions an instalment will be called, payable as follows: one-half, or \$2.50 per share, upon subscription, and one-half, or \$2.50 per share, when the certificates of stock of this company are ready for delivery. If you desire to sell your shares upon the same terms the Pennsylvania Manufacturing Light and Power Company will purchase them if deposited with the Guarantee Trust and Safe Deposit Company, Philadelphia, on or before March 1st".<sup>1</sup>

An analysis of this offer is interesting. It will be remembered that the Pennsylvania Heat, Light and Power Company had issued \$10,000,000 of stock, of which \$5,000,000 was preferred (at this time 70 per cent. paid in), and \$5,000,000 was common full paid. At a par value of \$50 per share, this means 100,000 shares of each kind or a total of 200,000 shares. At \$66 per share for preferred and \$24 per share for common the cost (in trust certificates) would be \$6,600,000 for the preferred stock and \$2,400,000 for the common stock or \$9,000,000 for both. The offer of the right to subscribe to Pennsylvania Manufacturing Light and Power Company stock to the amount of one share (par \$50) for every four shares of Pennsylvania Heat, Light and Power Company stock (either common or preferred) was an offer of 50,000 of the 300,000 shares or one-sixth of the stock of the new company. Total par value of these shares would have been \$2,500,000, on which 10 per cent., or only \$250,000

<sup>1</sup> Commercial and Financial Chronicle, February 19, 1898, pp. 384-5.

was to be paid in, the remaining 90 per cent., or \$2,250,000 being subject to call. No information has been found about the disposition of the remaining 250,000 shares. There was thus issued at this time stock with a par value of \$15,000,000 on which there has never been paid (so far as the writer is aware) any more than the original 10 per cent., or \$5 per share—a total of \$1,500,000. No more than this amount had been paid in by 1902.<sup>1</sup>

Trust certificates of the Pennsylvania Manufacturing Light and Power Company, bearing 5 per cent. interest, were authorized to the amount of \$15,000,000. Of these, \$9,000,000 were issued to pay for Pennsylvania Heat, Light and Power Company stock and \$4,275,000 later for other purposes to be described below. Later, \$2,000,000 of these were purchased in the open market and, according to the statement to the Stock Exchange in 1902, were destroyed. This left \$11,275,000 outstanding.

The new corporation issued also \$15,000,000 of stock. Fixed charges now become:

\$1,994,300 Edison Electric Light Stock Trust Certificates (5%) .....	\$99,715
\$9,000,000 new 5 per cent. certificates .....	450,000
	<hr/>
	\$549,715

Prior to this latest move annual fixed charges of \$311,365 stood ahead of dividends on common stock. Now there exist fixed charges of \$549,715 per annum while \$15,000,000 of new stock has been brought into existence. A return of say 6 per cent. per annum on the \$1,500,000 paid in on the \$15,000,000 of stock would call for \$90,000 more, a total of \$639,715 to be secured each year over and above operating expenses.

<sup>1</sup> See statement to Philadelphia Stock Exchange.

The structure of the organization at this time may be pictured thus:

Pennsylvania Manufacturing Light and Power Company.....	{	Pennsylvania Heat, Light and Power Company.....	1. Edison Electric Light Company
			2. Brush Electric Light Company
			3. United States Electric Lighting Company
			4. Northern Electric Light and Power Company.
			5. Philadelphia Electric Lighting Company.
			6. Penn Electric Light Company
			7. Columbia Electric Light Company

We are now ready to turn our attention to a second group of companies that were not yet in the consolidation. They may be grouped as given in table IV.<sup>1</sup>

TABLE IV

Names of companies	Authorized capital	Capital issued	Amount "paid in" on stock	No. of shares	Par value per share	Bonds
Hamilton Electric Company.....	\$1 370 000	\$1 370 000	\$137 000	137 000	\$10	.....
Manufacturers' Electric Company.....	250 000	250 000	250 000	25 000	10	.....
Diamond Electric Company.....	250 000	250 000	250 000	25 000	10	.....
Suburban Electric Company.....	500 000	399 840	399 840	50 000	10	.....
Wissahickon Electric Light Company.....	250 000	200 000	200 000	25 000	10	.....
Powelton Electric Company.....	600 000	599 140	599 140	60 000	10	.....
Bala & Merion Electric Company...	100 000	50 300	50 300	2 000	50	.....
West End Electric Company.....	250 000	237 600	237 600	25 000	10	\$70 000 (6%)
Germantown Electric Light Company.....	150 000	125 000	125 000	1 500	100	.....
Keystone Light & Power Company.....	1 000 000	124 950	124 950	20 000	50	.....
Totals.....	\$4 720 000	\$3 606 830	\$2 373 830			

<sup>1</sup> Data taken from statement to Stock Exchange in 1902.

This group includes all of the small companies in Philadelphia that had not previously been acquired, except the Southern Electric Light and Power Company and Kensington Electric Company. In addition to the above list, 50 per cent. of the stock of Northern Electric Light and Power Company had not yet been acquired and it was reported<sup>1</sup> that the holders of this were offered \$16 cash or \$12 in Hamilton Electric Company bonds and 25 shares of Hamilton stock at \$1 for each share of their holdings. Some of the stocks of the other companies in the list were alleged<sup>2</sup> to be much less than full paid, while others were said to have been issued in part as stock dividends. The extent to which this is true, if at all, is not clear.

Payment for a considerable number and perhaps for all of these companies was made in 5 per cent. certificates, a part of the amount authorized as described above. Of the \$15,000,000 authorized, there was at one time outstanding \$13,275,000. As \$9,000,000 of them was issued to pay for Pennsylvania Heat, Light and Power stock, it seems probable that the remainder—\$4,275,000—was issued to pay for the stock of the group just given. Not all of the stock of these companies was secured or at any rate not all was in the possession of Philadelphia Electric Company in 1902. Table V shows the amount issued, the amount acquired and the amount paid in on that which was acquired. To the list as formerly given is now added Northern Electric Light and Power Company, as the remaining 50 per cent. of its stock was now secured.

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<sup>1</sup> Commercial and Financial Chronicle, April 23, 1898, p. 811.

<sup>2</sup> Commercial and Financial Chronicle, January 29, 1898, p. 237.

TABLE V

Name	Stock issued	Stock acquired by Pa. M. L. & P. Co.	"Paid in" on stock acquired
Hamilton Electric Company.....	\$1 370 000	\$1 369 990	\$136 999
Manufacturers' Electric Company.....	250 000	249 830	249 830
Diamond Electric Company.....	250 000	249 700	249 700
Suburban Electric Company.....	399 840	399 720	399 720
Wissahickon Electric Light Company.....	200 000	200 000	200 000
Powelton Electric Company.....	599 140	599 140	599 140
Bala & Merion Electric Company.....	50 300	50 300	50 300
West End Electric Company.....	237 600	237 550	237 500
Germantown Electric Light Company.....	125 000	125 000	125 000
Keystone Light and Power Company.....	124 950	124 950	124 950
Totals.....	\$3 606 830	\$3 606 180	\$2 373 189
Northern Electric Light and Power Company..	325 000	325 000	325 000
Totals.....	\$3 931 830	\$3 931 180	\$2 698 189

The terms of acquisition of these various companies have been ascertained in only two cases. Northern Electric Light and Power Company stock had been selling in the market at about \$13 per share, and was regularly receiving a dividend of \$1 per share per annum, or 10 per cent. The company held its property free of debt. It was taken over by the Pennsylvania Manufacturing Light and Power Company at \$20 per share, payment being made in 5 per cent. trust certificates, the exchange calling for \$650,000 of certificates in return for the \$325,000 of stock.<sup>1</sup> It is to be observed that 5 per cent. interest on \$650,000 of certificates is exactly the same in amount as 10 per cent. dividends on \$325,000 of stock. The only differences are that it appears less and that as interest the sum is a fixed charge of the parent company.

The West End Electric Company was taken over in the same manner as the Northern. Its stock issue was \$237,600 (par \$10 per share). The price paid was \$18 per share in Pennsylvania Manufacturing Light and Power Company 5 per cent. certificates, the purchase price being said to represent the earning

<sup>1</sup> Commercial and Financial Chronicle, May 28, 1898, p. 1046.

capacity of the company on a 5 per cent. basis. A part of the West End stock, but not a controlling interest, was said to have been held by the Pennsylvania Heat, Light and Power Company and thus was held by the Pennsylvania Manufacturing Light and Power Company, but no conclusive proof of this is at hand. To secure control the purchase described above was negotiated. As in the case of other companies which were absorbed, the purchase price was said to represent earning capacity on a 5 per cent. basis.<sup>1</sup>

The structure of the organization we are describing may now be pictured. Perhaps some of the companies were acquired a little later.

		a. Edison Electric Light Company
		b. Brush Electric Light Company
		c. United States Electric Lighting Company
	1. Pennsylvania Heat, Light and Power Company...	d. Northern Electric Light and Power Company (50 per cent.)
		e. Philadelphia Electric Lighting Company
		f. Penn Electric Light Company
		g. Columbia Electric Light Company
Pennsylvania Manufacturing Light and Power Company.....	2. Hamilton Electric Company	
	3. Manufacturers' Electric Company	
	4. Diamond Electric Company	
	5. Suburban Electric Company	
	6. Wissahickon Electric Light Company	
	7. Powelton Electric Company	
	8. Bala and Merion Electric Company	
	9. West End Electric Company	
	10. Germantown Electric Light Company	
	11. Keystone Light and Power Company	
	12. Northern Electric Light and Power Company (50 per cent.)	

Pennsylvania Manufacturing Light and Power Company, now the parent corporation, had outstanding \$15,000,000 stock (10 per cent. paid) and was responsible for interest on \$1,994,300 Edison Electric Light 5 per cent. stock trust certificates and \$13,275,000 in 5 per cent. certificates (usually referred to as

<sup>1</sup> Commercial and Financial Chronicle, August 6, 1898, p. 275.



Philadelphia Electric 5 per cent. gold trust certificates). These certificates total \$15,269,300. Adding this to the \$15,000,000 stock, we have \$30,269,300 of securities outstanding. If we include only the amount paid in on the stock, we get \$16,769,300. This as we have observed was issued in exchange for the following stock (including a very few bonds):

Edison Electric Light Company.....	\$1,999,900
Electric Trust group.....	3,089,786
Hamilton Electric Company, etc.....	2,698,189

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\$7,787,875<sup>1</sup>

The difference between \$16,769,300 and \$7,787,875 is \$8,981,425 and the difference between \$30,269,300 and \$7,787,875 is \$22,481,425.

These certificates had been issued in return for stock. We observed that Pennsylvania Heat, Light and Power Company was responsible for \$99,715 fixed charges in the form of interest on the Edison 5s it had issued. To this must now be added 5 per cent. of \$13,275,000 or \$663,750, which gives a total of \$763,465. A return of say 6 per cent. on the amount paid in on the stock (10 per cent. or \$1,500,000) would add \$90,000, making a total of \$853,465 to be earned over operating expenses in order to pay interest on the certificates and a return of 6 per cent. on the amount "paid in" on the stock.

The Pennsylvania Manufacturing Light and Power Company now began to expand, absorbing several outside companies, said to include one in Atlantic City, N. J., two in Camden, N. J., and one in Jamaica, N. Y. These acquisitions necessitated cash, and the question of calling for further payments on stock at once arose and differences of opinion appeared among the directors. The condition of the company at this time and its receipts for the fiscal year are shown by the following:<sup>2</sup>

<sup>1</sup> A writer in the Philadelphia Press of October 15, 1911 states that upon the stock of a number of companies (the list being nearly the same as the ones we have given) there had been paid a total of \$7,072,622.

<sup>2</sup> Taken from Commercial and Financial Chronicle, February 18, 1899, p. 328.

## INCOME ACCOUNT

(For 11 months ending December 31, 1898)

Receipts from all companies owned and operated.....		\$963 157	
Deduct			
11 months' interest on Philadelphia Electric 5s.....	\$596 433		
October dividend of 50c. per share.....	148 125	744 558	
Balance, surplus.....		\$218 598	
Additional receipts, sales, securities and premiums.....		765 883	
Total present undivided profits.....		\$984 482	

## BALANCE SHEET

(December 31, 1898)

<i>Assets</i>		<i>Liabilities</i>	
Charter and organization	\$11 819	Capital stock.....	\$1 497 829
Miscellaneous stock.....	15 209 956	Philadelphia Electric Gold 5s... <sup>1</sup>	13 206 266
Loans.....	26 500	Accounts payable.....	79 299
Cash.....	19 578	Hamilton Electric Company	
Materials.....	71 922	cash surplus.....	60 000
Furniture, etc.....	1 383	Accrued interest Philadelphia	
Tools and implements ....	1 033	Electric Gold 5s.....	165 619
Accounts receivable.....	19 647	Profit and loss.....	984 483
Construction account.....	235 622		
Miscellaneous companies..	394 036		
	<hr/>		<hr/>
	\$15 993 496		\$15 993 496

Several items deserve notice. Over three-fourths of the undivided profits have apparently come from other transactions than the operations of underlying companies, the most important seeming to be dealings in securities. In the balance sheet the assets are chiefly the securities of other companies. The liabilities are chiefly the 5 per cent. gold trust certificates to which we have been referring, which are designated as Philadelphia Electric gold 5s. It is to be observed that in spite of the name given them, they are obligations of Pennsylvania Manufacturing Light and Power Company and not of Philadelphia Electric Company, as the latter had not yet been incorporated. The amount of (paid in) stock in the above statement is relatively small, *i. e.*, only \$1,497,829. The \$13,206,266<sup>1</sup> of 5 per cent. trust certificates outstanding on that date placed on Pennsylvania Manufacturing Light and Power Company an annual interest charge of \$660,313.30. As shown by the above income

<sup>1</sup> At this time not all of the certificates had been issued. The amount was later increased to the \$13,275,000 mentioned in the text.

account for the 11 months ending Dec. 31, 1898, the amount actually paid for that period was \$596,433. These certificates were all or at least nearly all created by the parent company (Pennsylvania Manufacturing Light and Power Company) for the purchase of stock. Stated differently, they were merely stock in the guise of bonds. The above income account shows \$148,125 or 50c. per share paid in October dividends, this being at the rate of 10 per cent.

#### ELECTRIC COMPANY OF AMERICA

Reference is made above to differences of opinion among the directors regarding the proper policy to be pursued in acquiring properties outside of Philadelphia. Apparently there was need for cash to make these purchases and this could be secured only by assessments on the Pennsylvania Manufacturing Light and Power Company stockholders. To avoid this difficulty the Electric Company of America was incorporated early in January, 1899, at Trenton, New Jersey, with an authorized capital stock of \$25,000,000—500,000 shares with a par value of \$50 each. The Commercial and Financial Chronicle of January 14, 1898 (p. 85), quotes the Philadelphia Ledger as stating that 350,000 of the authorized shares were to be issued at once, the balance of 150,000 to remain in the treasury of the company. Of the 350,000 shares issued, 100,000 shares were to go to United Gas Improvement Company, 100,000 to Pennsylvania Manufacturing Light and Power Company and 150,000 shares to "the organizers and other interests". Stockholders of Pennsylvania Manufacturing Light and Power Company were allowed to subscribe to 100,000 of the 150,000 shares on the basis of one share for three. Why these various amounts were to be distributed in this way, and on what terms, is not made clear.

A payment of 10 per cent. or \$5 per share was called at the time of subscription. This yielded \$1,750,000, which was paid to Pennsylvania Manufacturing Light and Power Company for its properties located outside of Philadelphia. As this company itself owned 100,000 shares, it actually received in cash only the amount assessed on the other 250,000 shares, or \$1,250,000. This sale of the properties by the directors for this amount (\$1,250,000

cash and 100,000 shares of Electric Company of America stock, 10 per cent. paid) was ratified by the stockholders and the president of Pennsylvania Manufacturing Light and Power Company was directed not to acquire properties outside Philadelphia without the authority of the board.<sup>1</sup> Electric Company of America at once began negotiations for the acquisition of numerous properties, but we may postpone consideration of these activities until we have explained several other movements of importance.

#### NATIONAL ELECTRIC COMPANY

When Philadelphia Electric Company was organized on October 5, 1899, it was for the purpose of consolidating Pennsylvania Manufacturing Light and Power Company, which we have been describing, with National Electric Company to which we have as yet made no reference but which we must now examine.

National Electric Company was incorporated at Trenton, New Jersey, on May 1, 1899, with an authorized capital stock of \$25,000,000 (all common) with a par value of \$50 per share. Of the 500,000 shares authorized there were apparently issued at that time 175,000, of which 50,000 were sold to the public, the remainder presumably being retained by the promoters of the new organization. Ten dollars per share (20 per cent.) was paid in and the public was said to have paid \$10.50 for the shares sold. By 1902 the stock was 25 per cent. paid.

Several companies were promptly turned over to National Electric Company, but on what terms is not stated. Those secured first were Beacon Light Company of Chester (which had leased Chester Electric Light and Power Company); Overbrook Electric Company; and Cheltenham Electric Light, Heat and Power Company. Beacon Light Company had an exclusive street lighting contract for Chester till 1902; also one with the Borough of Upland and one with the Borough of Ridley Park, the latter contract running for five years. The lease by Beacon Light Company of Chester Electric Light and Power Company is for 999 years from October 30, 1896, and guarantees 7 per

<sup>1</sup> Commercial and Financial Chronicle, February 18, 1899, p. 328.

cent. yearly on its \$132,450 stock and interest on its \$100,000 of 20-year sinking fund 5 per cent. bonds due March 1, 1916. In 1902 Delaware County Trust Company was trustee for this bond issue, the sinking fund at that date amounting to \$16,750. Fixed annual charges (interest and rental) thus assumed by Beacon Light Company amount to \$14,271.50.<sup>1</sup>

Beacon Light Company had in 1912 an authorized capital stock of \$120,000 which was increased to \$1,500,000 in 1913. Of this amount \$1,300,000 was outstanding on December 31, 1913, the majority of it being held by Philadelphia Electric Company (presumably through National Electric Company).

Acquisition of Southern Electric Light, Heat and Power Company (incorporated in 1890) came next. It was said that a meeting of the stockholders of this company was held on November 23, 1898, at which it was voted to increase the stock of that company from \$400,000 to \$2,000,000. In 1902 the authorized issue was \$2,000,000. Of this \$500,000 was outstanding, of which \$498,800 was acquired by National Electric Company. Sale of the property to National Electric Company was said to have been for \$2,500,000 in cash.<sup>2</sup>

Apparently to meet this expense the directors of National Electric Company on May 31, 1899, authorized the issue of 175,000 shares of stock in addition to the 175,000 already issued, \$10 per share to be paid. Total issues of National Electric stock to this point were 350,000 shares on which \$3,500,000 had been paid. The last issue yielded \$1,750,000, which would have paid all but \$750,000 of the amount needed to purchase the Southern Electric Light and Power Company stock at the price of \$2,500,000 just given. In 1902 National Electric Company stock was 25 per cent. paid in (*i. e.*, \$12.50 on each \$50 share). The organization of National Electric Company may be represented thus:

National Electric Company (New Jersey, May 1, 1899).....	{	1. Southern Electric Light and Power Company	{	Chester Electric Light and Power Company
		2. Beacon Light Company		
		3. Overbrook Electric Company	{	Cheltenham Electric Light, Heat and Power Company
		4. Cheltenham Electric Light, Heat and Power Company		

<sup>1</sup> Report to Stock Exchange in 1902.

<sup>2</sup> Commercial and Financial Chronicle, June 3, 1899, p. 1077.

The various companies taken over and the important facts as to capitalization, etc., are given in table VI.

TABLE VI

Names of companies	Capital authorised	Capital issued	"Paid in" on stock issued	No. of shares authorised	Par value per share
Southern Electric Light and Power Company.....	\$2 000 000	\$500 000	\$500 000	200 000	\$10
Beacon Light Company.....	120 000	115 250	115 250	1 200	100
Overbrook Electric Company.....	10 000	10 000	10 000	100	100
Cheltenham Electric Light, Heat & Power Company.....	50 000	50 000	50 000	5 000	10
<b>Totals.....</b>	<b>\$2 180 000</b>	<b>\$675 250</b>	<b>\$675 250</b>		

Of the amounts issued there were secured the following as indicated by the statement to the Stock Exchange in 1902:

	Stock acquired
Southern Electric Light and Power Company.....	\$498 800
Beacon Light Company.....	115 250
Overbrook Electric Company.....	10 000
Cheltenham Electric Light, Heat and Power Company.	49 990
<b>Total.....</b>	<b>\$674 040</b>

Very little information is available about these properties. There are probably more rumors about the issue of stock in return for "political influence", and more assertions of improper financing in connection with the organization of National Electric Company than in any of the others we have discussed. A report that \$2,500,000 in cash was paid for the Southern is mentioned above, but no other references substantiate this rumor. All that we can say is that stock with a "paid in" value amounting to \$674,040 was acquired. With the stock of the Beacon Light Company was assumed a rental charge of \$14,271.50 which, if capitalized at 5 per cent., is equivalent to an additional \$285,430 of capital or a total of \$959,470. National Electric Company issued \$17,500,000 of its \$25,000,000 authorized cap-

ital, and there was "paid in" \$12.50 on each \$50 share, or \$4,375,000. The difference between this amount and \$959,470 is \$3,415,530. This represents the increase in outstanding securities resulting from the consolidation.

#### PHILADELPHIA ELECTRIC COMPANY

Philadelphia Electric Company was now formed to consolidate Pennsylvania Manufacturing Light and Power Company and National Electric Company. It was incorporated at Trenton, New Jersey, on October 5, 1899, and authorized to issue \$25,000,000 of stock (par \$25), on which there was called \$2.50 per share which would furnish a working capital of \$2,500,000. Arrangements were at once made for an issue at par of \$17,500,000 fifty year 4 per cent. gold collateral trust certificates. Of these a part (not to exceed \$15,050,000) was to be used to purchase the stock of Pennsylvania Manufacturing Light and Power Company and National Electric Company, the balance of the certificates (\$2,450,000) being retained "for the acquisition of other electric properties in the City of Philadelphia and counties adjacent thereto."<sup>1</sup>

National Electric Company stock comprised 350,000 shares each now \$12.50 paid (par \$50), \$2.50 per share having been called for some purpose not ascertained to be paid by October 16, 1899. This call furnished \$875,000 (350,000 times \$2.50). For each of these shares Philadelphia Electric Company paid \$13 at par in the 4 per cent. trust certificates mentioned above, the National Electric shares to be assigned to Philadelphia Electric Company and deposited with Equitable Trust Company, Philadelphia, as trustee, on or before November 1, 1899, as security for the \$4,550,000 certificates issued against them. For each share of National Electric Company stock sold the vendors thereof were entitled to subscribe to two-thirds of a share of Philadelphia Electric Company stock, paying thereon \$2.50 per share (10 per cent.) by November 1, 1899.

For the 300,000 shares of Pennsylvania Manufacturing Light and Power Company stock (\$5 paid—\$50 par) there was

<sup>1</sup> Commercial and Financial Chronicle, October 14, 1899, p. 797 and October 21, 1899, p. 853.

offered \$35 at par of the 4 per cent. trust certificates—a total of \$10,500,000 in certificates, if all the stock had been secured. One account (Commercial and Financial Chronicle, October 14, 1899, p. 797) states that these stockholders were given the same right to subscribe to Philadelphia Electric stock as were those of National Electric Company. All of the National Electric stock was bought and \$14,994,100 or all but \$5900 of Pennsylvania Manufacturing Light and Power Company stock. The total cost in certificates was \$15,045,870. Since 1901 there have been only \$15,014,142 outstanding, the difference in amounts perhaps arising through the purchase of some of them in the market by Philadelphia Electric Company or perhaps through the purchase of part of the stock in some other manner.

An analysis of this transaction shows a large increase in securities outstanding and in fixed charges assumed. On National Electric Company's \$17,500,000 stock there had been "paid in" \$4,375,000. For this there was substituted \$4,550,000 of 4 per cent. certificates, an increase of \$175,000 and the creation of an annual fixed charge of \$182,000 interest on these certificates. The price paid for Pennsylvania Manufacturing Light and Power Company was much more excessive. We have already observed that this corporation seems to have been overcapitalized by about \$8,981,425. On each \$50 share of its stock there had been paid in only \$5, but this stock was now purchased by Philadelphia Electric Company at \$35 per share. This adds \$30 per share or a total of \$8,996,460 for the 299,882 shares secured. Adding this to \$8,981,425 we get a total of \$17,977,885. Including the \$175,000 excess just calculated as arising in connection with the purchase of National Electric Company we have a total of \$18,152,885.

From this time until in 1902 there are two movements of interest recorded. One is the growth of Electric Company of America, whose organization is described above. Created to take over properties outside of Philadelphia, it began a period of rapid expansion and by February, 1902, was said to own and operate sixteen companies. The general financial policy seems to have been to pay cash secured by assessments on its own



stock. There had been \$25,000,000 authorized at the time of incorporation (500,000 shares—par \$50) of which 350,000 shares were issued on which 10 per cent. or \$5 per share was paid in. This was brought up to \$10 by several assessments and by taking \$1.50 per share from surplus. Then the stock was made full paid by reducing the capitalization from \$25,000,000 to \$5,000,000.

Very few details are given showing the terms on which various properties were bought and sold, and as it was sold a few years later to General Electric interests we need not give the details of its history. The income accounts and balance sheets of this company from 1899 to 1905, inclusive, are given in Appendix A.

#### THE PHILADELPHIA ELECTRIC COMPANY

The second important incident was the formation in October, 1902, of The Philadelphia Electric Company. It was incorporated in Pennsylvania with an authorized capital stock said to be \$100,000,<sup>1</sup> as a subsidiary holding company to take over the stocks of the operating companies of Philadelphia Electric Company. The purpose as given in the annual report of Philadelphia Electric Company for the year ending December 31, 1902, was as follows:

During the year your management decided to ask for needed legislation from the City of Philadelphia which would enable them to operate all the companies as a unit and simplify the organization, it being necessary under the then existing legislation to operate each company separately within the territorial limits of its ordinance. To this end The Philadelphia Electric Company was created, and a charter applied for and granted under the laws of the State of Pennsylvania.

An ordinance was introduced, giving to this Pennsylvania corporation (which is owned by your company) the right to erect and maintain a system of electrical conductors, overhead and underground, throughout the entire city and the further right to acquire by purchase lease or otherwise, the existing electric light companies, owned and controlled by your company. Under this charter and the provisions of this ordinance, it is the purpose to leave all these underlying companies, and to operate them under the name of The Philadelphia

<sup>1</sup> Commercial and Financial Chronicle, November 1, 1902, p. 984.

Electric Company. This plan will in no wise disturb the securities which have been issued, nor affect the rights and privileges of the underlying companies; nor will it disturb in principle the relations existing between the holding and the subsidiary companies but merely in such details in management and organization as are necessary to carry out the plan.

What subsidiaries were leased to this new company, and on what terms, is not stated nor are any further facts regarding the relations between The Philadelphia Electric Company (of Pennsylvania) and Philadelphia Electric Company (of New Jersey) given.

The capital stock of The Philadelphia Electric Company (of Pennsylvania) was increased in 1903 but the new amount is not stated. Some of this stock was issued to Philadelphia Electric Company (of New Jersey) in return for monies advanced for the construction of the new Christian Street station to date. Leases of subsidiaries to The Philadelphia Electric Company (of Pennsylvania) were for five years, took effect on January 1, 1904, and at their expiration they were renewed for another five years on the same terms and conditions.<sup>1</sup> This renewal expired on January 1, 1914, but the report of Philadelphia Electric Company for 1914 says nothing regarding a second renewal. On December 31, 1907, Philadelphia Electric Company (of New Jersey) owned 15,200 shares of The Philadelphia Electric Company (of Pennsylvania), listing them at \$1,520,000. The reports for 1913 and 1914 show an increase to 169,985 shares—also an increase in the holdings of common shares of Delaware County Electric Company from 2500 to 7500 and of Beacon Light Company from 540 to 12,387½. No information has been secured concerning the significance of these changes but it seems probable that the stock was issued in settlement of advances made by the parent company.

In August, 1900, it was rumored that Philadelphia Electric Company (of New Jersey) was buying its own 4 per cent. bonds in the market, funds for this purpose having been secured by a call on stockholders for \$2.50 per share, payable in November, 1900, and January, 1901. It was further rumored

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<sup>1</sup> See various reports of Philadelphia Electric Company.

that the purchase of these bonds started at 63 and that prices were limited to around 70. At an average price of 66 the company would thus have secured \$2,000,000 of bonds (or certificates) for \$1,320,000 and also have cut down interest charges by \$80,000 per annum. The bonds apparently were not at once cancelled, but were held in the treasury. Early in 1902 they were used as collateral for a loan to secure funds for the purchase of Kensington Electric Company for which \$750,000 in cash was said to have been paid.<sup>1</sup> Then another assessment on Philadelphia Electric Company (of New Jersey) stock secured funds to repay the loan and release the bonds.<sup>2</sup>

Reference has already been made to the purchase by Philadelphia Electric Company of \$2,000,000 of the 5 per cent. Philadelphia Electric certificates of which there were a total of \$13,275,000 outstanding. These \$2,000,000 were bought in the market and by an agreement between Philadelphia Electric Company and Land Title and Trust Company, trustee, the amount of liability for this issue of certificates was reduced to \$11,275,000.

The period of rapid expansion and of formation of new corporations ended with the transactions above described. In the last few years the changes in organization have not been so striking.

One of the most important movements has to do with Electric Company of America. In 1903 there was some discussion of a plan to raise the stock from a par of \$10 per share to the former \$50 with the thought that it would thereby become better collateral, but there is no evidence that this was done.

In 1906 the \$4,486,645 stock of Electric Company of America was sold to American Gas and Electric Company at \$14 per \$10 share, payment being made in 100-year 5 per cent. collateral trust bonds of the new corporation. There was also offered to Electric Company of America stockholders the right to subscribe to preferred stock and a bonus of 40 per cent. in common stock. For this purchase an issue of \$6,282,000 certificates was necessary. These 5 per cent. certificates gave to

<sup>1</sup> Commercial and Financial Chronicle, January 18, 1902, p. 156.

<sup>2</sup> Commercial and Financial Chronicle, August 18, 1900, p. 346 and August 25, 1900, p. 393

their holders the equivalent of a 7 per cent. dividend on the stock they formerly held. American Gas and Electric Company was a subsidiary of Electric Bond and Share Company of New York which was in turn controlled by General Electric Company. A comparison of income accounts and balance sheets of Electric Company of America for the years 1899-1905, inclusive, is attached as Appendix A. Early in 1905, \$407,865 of new stock (a 10 per cent. increase) had been offered to stockholders at par, raising the stock issue to the \$4,486,645 given above.<sup>1</sup>

Late in 1903 Philadelphia Electric Light Company, a subsidiary of Philadelphia Electric Company, filed notice of an increase in its authorized stock issue from \$100,000 to \$2,500,000.<sup>2</sup>

In 1904 a transaction was planned in which Keystone Telephone Company was to sell its conduits to Philadelphia Electric Company for \$2,500,000 cash, the telephone company to rent these conduits for \$125,000 per annum. This was not done, as Commonwealth Electric Company offered to pay \$3,000,000 and charge only \$100,000 rental.<sup>3</sup>

In 1904 there were rumors of a merger of Philadelphia Electric Company with United Gas Improvement Company. The plan as outlined in the Public Ledger of April 13, 1904, included a call for \$2.50 per share on Philadelphia Electric stock, making it \$10 paid, the \$2,500,000 thus secured to be applied to retiring a part of the Philadelphia Electric 4 per cent. certificates. United Gas Improvement Company was to guarantee the principal and interest of the remainder. Two propositions to stockholders were under consideration: (a) a guarantee of 6 per cent. on a par value of \$10 per share, or (b) an exchange of Philadelphia Electric stock for United Gas Improvement stock in such proportion as to accomplish the same result as in (a). This plan did not materialize.<sup>4</sup>

<sup>1</sup> Commercial and Financial Chronicle, November 25, 1905, p. 1552.

<sup>2</sup> Commercial and Financial Chronicle, December 5, 1903, p. 2162.

<sup>3</sup> Commercial and Financial Chronicle, Vol. 79, p. 2591.

<sup>4</sup> Public Ledger, April 13, 1904, p. 3.

In 1910 control of Delaware County Electric Company was purchased from Associated Gas and Electric Company of New York, the terms not being given.<sup>1</sup> Both common and preferred stock was secured. This company has been authorized to issue \$1,150,000 common and \$250,000 six per cent. cumulative preferred stock, of which there was outstanding on December 31, 1913, \$750,000 common and \$250,000 preferred. There have also been authorized \$750,000 first mortgage 5 per cent. bonds, of which \$300,000 was outstanding on the same date. The company is a merger of Media Electric Light, Heat and Power Company, Philadelphia Suburban Electric Company, Faraday Heat, Light and Power Company, and Citizens' Electric Light and Power Company of Delaware County. The relations between these four and Delaware County Electric Company are not stated.

In 1913 the United Gas Improvement Company offered to lease Philadelphia Electric Company for 99 years at 8 per cent. per annum on the latter company's paid-up capital of \$17,500,000, to provide for refunding its 4 per cent. and 5 per cent. certificates and to furnish funds for extension and improvement of property without calling for more payments by Philadelphia Electric Company stockholders. This offer was refused by the Philadelphia Electric Company's board of directors.<sup>2</sup>

In 1914 an agreement was made with the Keystone Telephone Company which is described as follows in the annual report of Philadelphia Electric Company for 1914:

With a view to extending its underground system, your Philadelphia Company has entered into an agreement subject to the approval of the Public Service Commission of Pennsylvania, with the Keystone Telephone Company of Philadelphia, for the use of all of the unused ducts in their conduit system not needed for the requirements of their business for a period of twenty-one years, with renewal privileges of two periods of fifteen years each. The rental price to be paid is four cents per duct foot per annum—the minimum rental for the first year being \$25,000 with an ascending scale of annual minimum rentals for seven years until the sum of \$100,000 is reached, which thereafter shall be the annual minimum rental for the first two periods. Under the terms of the agreement, your Philadelphia Company has the right to

<sup>1</sup> Commercial and Financial Chronicle, April 16 1910, p. 1047.

<sup>2</sup> Idem, February 22, 1913, p. 557.

purchase these ducts at the expiration of either of the first two periods, the price to be fixed by arbitration as provided for in the agreement. If, for any reason the purchase of the ducts cannot be made, the agreement provided that the Philadelphia Company shall have the option of extending the lease for a further period of fifteen years, at an annual minimum rental for such extended period of \$125,000. It is the purpose to utilize these conduits whenever they can be used to advantage in conjunction with the present distributing system.

We may now picture (see table VII) the organization of Philadelphia Electric Company (of New Jersey) as it seems to stand at the present time. No attempt has been made to include the holdings of stock of a number of companies whose general relation to this history seems of little importance. An illustration of this is the ownership of seven shares of Westinghouse Electric and Manufacturing Company stock. Part of the securities of the companies we have listed are held in the treasury of Philadelphia Electric Company and part are pledged with The Land Title and Trust Company as trustee for the Philadelphia Electric Gold Trust Certificates and with the Fidelity Trust Company as trustee for The Edison Electric Gold Trust Certificates.

## TABLE VII

## CHART OF PHILADELPHIA ELECTRIC COMPANY OF NEW JERSEY AND ITS SUBSIDIARIES

Philadelphia Electric Company (N.J.)Oct. 5, 1899	Pennsylvania Heat, Light and Power Company (Penna. 1895)	{	Edison Electric Light Company (1886)
			Brush Electric Light Co. (1881)
			United States Electric Light Co. (1881)
			Phila. Electric Lighting Co. (1882)
			Columbia Electric Light Company (1892)
			Northern Electric Light and Power Co. 50 per cent. (1885)
			Penn Electric Light Co. (1887)
			Hamilton Electric Co. (1896)
			Powelton Electric Co. (1890)
			Manufacturers' Electric Co. (1890)
Philadelphia Electric Company (N.J.)Oct. 5, 1899	Pennsylvania Manufac- turing Light and Power Company (N. J. Feb. 3, 1898)....	{	Diamond Electric Co. (1890)
			Suburban Electric Co. (1890)
			Wissahickon Electric Light Co. (1893)
			Northern Electric Light and Power Co. (50 per cent. of stock) (1885)
			West End Electric Co. (1890)
			Bala and Merion Electric Co. (1891)
			Germantown Electric Light Co. (1884)
			Keystone Light and Power Co. (1886)
			Southern Electric Light and Power Co. (1890)
			Beacon Light Company (1896) { Chester Electric Light and Power Company
Philadelphia Electric Company (N.J.)Oct. 5, 1899	National Electric Company (May 1, 1899)	{	Overbrook Electric Co. (1893)
			Cheltenham Electric Light, Heat and Power Company (1890)
			Kensington Electric Company (1893)
			Delaware County Elec- tric Company 1909 { Media Electric Light, Heat and Power Co. Philadelphia Suburban Electric Co. Faraday Heat, Light and Power Co. Citizens' Electric Light and Power Co. of Delaware County
			The Philadelphia Electric Company (Pennsylvania) (1902)

When Philadelphia Electric Company (of New Jersey) was incorporated in 1899 \$2.50 was called on each of the 1,000,000 shares of stock, a total of \$2,500,000 or 10 per cent. of par. At present this stock is 90 per cent. paid or \$22.50 on each \$25 share. The balance sheet as of December 31, 1914, shows uncalled subscriptions to capital stock to the sum of \$2,498,175 as against a total liability on capital stock of \$24,987,750. The difference between the two which represents approximately the amount "paid in" on these shares is \$22,489,575. Of this amount, however, not all represents a direct payment of cash by the stockholders to the company. On three different occasions dividends were declared by the Company and at the same

time a call made on the stockholders for additional payments on their stock subscriptions. Amounts receivable in dividends were made applicable to the payments on stock and thus considerable sums were transferred from "surplus" to "capital." This was done to the amount of \$1 per share on March 2, 1908, \$1.50 on March 15, 1910, and \$1.50 on December 1, 1913. This is a total of \$4 per share or an aggregate of \$3,998,240. The effect of this may easily be traced in the comparative balance sheet of the company and in the comparative income account, both of which are given for the years 1900 to 1914, inclusive, in Appendix B at the conclusion of this narrative.

Dividends have been paid by the company as follows: June 16, 1902, 15c. per share; December 16, 1902, June 16, and December 16, 1903, 18¾c. per share; from 1903 to June, 1908, 5 per cent. per annum; from December, 1908, to December, 1912, 6 per cent. per annum; March, 1913, 1½ per cent.; and since that date 1¾ per cent. quarterly. The stock is now on a 7 per cent. basis, all payments being, of course, not on par value of stock but on the amount "paid in" on that stock.

#### CONCLUSIONS

Before concluding this study we should emphasize several points. Attention should again be called to the fact that the recital is necessarily incomplete. The public press from 1890 to the present time has been filled with accusations that the electric light interests of the city have from time to time exercised an improper amount of political influence and that at certain stages of the history we have been narrating large amounts of securities were issued in return for which nothing was received in the form of property or cash. These accusations are so numerous and persistent that the disinterested observer is strongly inclined to suspect that some such transactions have occurred but their extent can not be ascertained and any estimates are impracticable.

The general plan that was followed in the consolidation of the electric light properties of Philadelphia was to utilize the holding company as a form of organization. To this *per se* there can be no objection, since otherwise any unification of the numerous companies would have been difficult if not impossible.



The objectionable features of the movement have been the process of changing stock into bonds and hence of dividend payments into interest charges.

Even if the amount of outstanding securities had at no time been increased improperly, the numerous changes of stock into certificates or bonds can not be approved. Dividends on stock are merely returns to the owner of the property who may at times regret his failure to receive dividends but who has no ground for action against the company because of such failure. Moreover, failure to pay dividends has little effect upon public opinion as compared with a default on interest payments and a receivership.

In the history we have been tracing we have repeatedly observed this being done with an accompanying large increase in securities and fixed charges. Stock of the Edison Electric Company was purchased in part by a payment in certificates (or bonds) of Pennsylvania Heat, Light and Power Company, which in addition issued \$10,000,000 of stock upon which a small amount of cash was paid, *i. e.*, \$3,500,000. This \$10,000,000 of stock was then purchased with certificates (or bonds) of Pennsylvania Manufacturing Light and Power Company which at the same time issued \$15,000,000 of stock on which only \$1,500,000 was paid. The same process was repeated by Philadelphia Electric Company in 1899 when it acquired Pennsylvania Manufacturing Light and Power Company and National Electric Company by paying for them with certificates and then issuing its own stock.

Any calculation of the difference between the amount of securities issued and the value of the property acquired must be viewed as tentative only, subject to revision when more facts are available. With this reservation as to conclusions we may submit the following:

We have explained the organization in 1895 of Pennsylvania Heat, Light and Power Company which brought together Edison Electric Light Company and the group of properties known as Electric Trust. The structure thus created is pictured on page 121. An analysis of the available information indicates<sup>1</sup> that there

<sup>1</sup> *Supra*, p. 123.

had been invested in these properties, including a generous allowance for the patents acquired, an amount not in excess of \$3,131,200. There were issued by the new corporation securities to the amount of \$10,494,300,<sup>1</sup> and there was left about \$600,000<sup>1</sup> of unexpended cash. We thus secure the following result:

Securities issued.....	\$10,494,300
Securities acquired.....	3,131,200
Increase .....	<u>\$7,363,100</u>
Less unexpended cash.....	600,000.
Net increase.....	<u>\$6,763,100</u>

In the formation of Pennsylvania Manufacturing Light and Power Company (pictured on p. 131) securities were acquired and new securities were issued as shown in the following table. From the increase as thus ascertained may be deducted \$1,500,000, as this amount was paid in on the new company's stock and apparently was not expended in the purchase of properties.

*Securities acquired*

Pennsylvania Heat, Light and Power Co. stock:	
Preferred (\$5 000 000—70 per cent. paid)....	\$3 500 000
Common (issued "full paid" but given as a bonus to subscribers to the preferred stock). . .	5 000 000
Hamilton Electric Company, etc.....	2 698 189
	<u>\$11 198 189</u>

*Securities issued*

*By Pennsylvania Manufacturing Light and Power  
Company:*

Philadelphia Electric Gold Trust Certificates	
—5s.....	\$13 275 000
Common stock (\$15 000 000—10 per cent. paid) . . .	1 500 000
	<u>\$14 775 000</u>

*Increase in amount of securities outstanding*

Securities issued (as above).....	\$14 775 000
Securities acquired (as above).....	11 198 189
Increase.....	<u>\$3 576 811</u>
Less \$1 500 000 cash which may not have been spent in purchase of securities as above.....	1 500 000
Net increase.....	<u>\$2 076 811</u>

<sup>1</sup> *Supra*, pp. 122 and 124.

In the formation of National Electric Company (pictured on p. 136) securities were acquired and issued as follows. Since the last payment of \$2.50 per share by stockholders of National Electric Company was presumably not used to purchase stock of subsidiaries we may deduct that sum, or \$875,000.

*Securities acquired*

Southern Electric Light and Power Company stock.....	\$498 800	
Beacon Light Company.....	115 250	
Overbrook Electric Company.....	10 000	
Cheltenham Electric Light, Heat and Power Company.....	49 990	
		<hr/> \$674 040

*Securities issued by National Electric Company*

Stock (\$17 500 000—25 per cent. paid).....	\$4 375 000
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*Increase in amount of securities outstanding*

Securities issued (as above).....	\$4 375 000
Securities acquired (as above).....	674 040
	<hr/>
Increase.....	\$3 700 960
Less \$2.50 per share not used in this purchase....	875 000
	<hr/>
Net increase.....	\$2 825 960

And, finally, in the formation of Philadelphia Electric Company (of New Jersey) securities were acquired and issued as follows:<sup>1</sup>

*Securities acquired*

Pennsylvania Manufacturing, Light and Power Company—stock.....	\$1 499 410	
National Electric Company stock (\$17 500 000—25 per cent. paid).....	4 375 000	
		<hr/> \$5 874 410

*Securities issued by Philadelphia Electric Company*

(of New Jersey) in acquisition of this stock:

Philadelphia Electric Gold Trust Certificates—4s.....	15 014 142
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<sup>1</sup> At its formation the Philadelphia Electric Company of New Jersey issued \$25,000,000 of stock on which it called 10 per cent., or \$2,500,000, but there is no evidence at hand to indicate that this sum was used in the purchase of the stock of Pennsylvania Manufacturing Light and Power Company and National Electric Company.

*Increase in amount of securities outstanding*

Securities issued (as above).....	\$15 014 142
Securities acquired (as above).....	5 874 410
Net increase.....	<u>\$9 139 732</u>

Bringing together these various amounts we have the following as the various increases in outstanding securities by the time Philadelphia Electric Company of New Jersey was organized:

Pennsylvania Heat, Light and Power Company....	\$6 763 100
Pennsylvania Manufacturing Light and Power Company.....	2 076 811
National Electric Company.....	2 825 960
Philadelphia Electric Company (of New Jersey)..<	9 139 732
	<u>\$20 805 603</u>

We thus find successive increases in outstanding securities over and above any acquisitions of tangible property, of which we have any trace, to the amount of \$20,805,603. Since \$3,998,240 of stock of Philadelphia Electric Company has been issued as "stock dividends," some may consider that this amount also should be included. If this is done, we have a total of \$24,803,843. On the other hand, it is stated that \$2,000,000 of 5 per cent. certificates and also \$2,000,000 of 4 per cent. certificates have been retired. Deducting these two, or a total of \$4,000,000, we have left \$20,803,843 as the amount of securities that have been issued in excess of direct investments by the owners of those securities.

There have been, of course, other sources of income. One that immediately suggests itself is the profits that are said to have been realized through the Electric Company of America. The gains thus made have not been made public. With this exception, and perhaps others, any increase in the value of the properties must have come from earnings.

The significance of the situation lies in the fact that it was necessary for the company to charge for its services at rates sufficiently high to keep up interest and dividend payments on these securities. Of the items that go to make up the \$20,805,603 just given, the first two which total \$8,839,911 appear

in 5 per cent. certificates, the interest on which amounts to \$441,995 per annum. The other two items amount to \$11,965,692 and appear as 4 per cent. certificates, the annual interest on which amounts to \$478,627. The two charges combined are \$920,622, which is the amount it was necessary for the company to earn each year merely to maintain interest charges on this excessive issue of securities. After the retirement of \$2,000,000 of 5 per cent. and \$2,000,000 of 4 per cent. certificates this was, of course, reduced by \$180,000, leaving \$740,000 per annum. This is without reference to the \$3,998,240 of "stock dividend", the annual dividends on which at 7 per cent. amount to \$279,876.80.

The situation at the time of this writing is difficult to picture with accuracy. The present value of the properties is not yet known, and pending the results of the appraisal which is being conducted by the company, speculation on the matter is idle. Several points, however, are perfectly clear. Outstanding securities upon which interest and dividends must annually be paid include \$1,994,300 Edison Electric Light Company 5s, \$11,268,060 Philadelphia Electric Company 5s, \$15,014,142 Philadelphia Electric Company 4s and stock (less amount still subject to call) amounting to \$22,489,575. These four combined total \$50,766,077 in outstanding securities.

If the properties have a value that is at all near this amount it is largely if not entirely due to the reinvestment of earnings. To accomplish such a result it has been necessary to charge for services rendered an amount sufficient to earn a return on capital actually invested, maintain interest payments on the excess securities issued and enough more to build up the value of the properties to the amount that an accurate appraisal may now discover.

There are thus two general possibilities in the present situation. In the first place, there may still be a wide difference between the value of the company's property and the amount of securities outstanding. If this be true, we must conclude that the rates that have been and still are charged for service are greatly in excess of the amount needed for a fair return on the actual investment. The other possibility is that earnings have

been year after year reinvested in the plant and equipment until there is no longer so great a difference as formerly between actual investment and capitalization. How fully such a change may have taken place is to be determined only by a careful appraisal. But if it has occurred it must have been because rates have been maintained at a level that would make the change possible. Such rates are, of course, much greater than would have been necessary to pay a reasonable return merely on the direct investments of security holders and are obviously in excess of the amount necessary to pay them a reasonable return on the present value of the plant. This is true even though the appraisal should indicate that the value of the property is equal to the company's capitalization.

# APPENDIX A STATEMENT OF ELECTRIC COMPANY OF AMERICA 1899—1905

## I. *Income Account (Year ending December 31)*

	1899	1900	1901	1902	1903	1904	1905
Net earnings of plants.....	\$407 975	\$374 538	\$281 232	.....	.....	.....	.....
Other income.....	633 369	36 156	198 954	\$2 932	.....	.....	.....
Income from stocks, etc., of companies owned and controlled.....	.....	.....	.....	366 587	\$418 893	\$465 402	\$534 474
Interest on loans and deposits.....	.....	.....	.....	24 024	15 725	5 163	4 716
Total income.....	\$1 041 344	\$410 695	\$480 186	\$393 543	\$434 619	\$470 565	\$539 190
Direct charges subsidiary companies.....	.....	.....	.....	\$8 432	\$8 358	\$29 064	\$42 654
Expenses of management.....	.....	.....	.....	32 632	27 281	32 598	55 605
Balance.....	\$1 041 344	\$410 695	\$480 186	\$352 478	\$398 979	\$408 901	\$440 931
Regular dividends.....	202 419	406 281	306 038	203 979 (5 per cent)	244 716 (6 per cent)	244 719 (6 per cent)	285 515 (7 per cent)
Surplus.....	\$838 925	\$4 414	\$174 148	\$148 499	\$154 263	\$164 182	\$155 425

APPENDIX A—Continued  
STATEMENT OF ELECTRIC COMPANY OF AMERICA  
II. *Balance Sheets (As of December 31)*

<i>Assets</i>	1899	1900	1901	1902	1903	1904	1905
Stocks and bonds (of companies controlled)	\$3 071 361	\$2 584 050	\$2 755 789	\$2 878 609	\$3 135 148	\$3 025 194	\$2 984 159
Accrued earnings.....	352 489	469 138	631 884	892 479	1 191 360	1 467 787	.....
Accrued interest.....	19 495	3 908	2 508	2 494	2 483	.....	.....
Accrued earnings of controlled companies..	.....	.....	.....	.....	.....	.....	1 387 381
Bills receivable.....	167 591	349 582	382 345	.....	.....	.....	.....
Bills and accounts receivable.....	.....	.....	.....	351 676	368 884	507 142	747 407
Cash.....	275 553	392 602	197 250	.....	.....	.....	.....
Cash and demand collateral loans.....	.....	.....	.....	400 511	40 278	48 040	489 624
Charter and organization.....	12 525	10 000	10 000	10 000	10 000	.....	.....
Office furniture, etc.....	1 388	1 537	3 549	1 799	2 323	.....	.....
Miscellaneous.....	.....	.....	.....	.....	.....	13 733	12 135
Total.....	\$3 900 405	\$3 810 819	\$3 983 325	\$4 537 568	\$4 750 508	\$5 061 896	\$5 590 706
<i>Liabilities</i>							
Capital stock.....	\$3 034 063	\$3 060 511	\$3 060 534	\$4 078 780	\$4 078 780	\$4 078 780	\$4 078 780
Subscriptions to capital.....	.....	.....	.....	.....	.....	.....	407 865
Accounts payable.....	27 416	8 262	6 597	5 012	63 689	210 894	176 413
Profit and loss.....	838 925	742 045	916 194	453 776	608 039	772 222	927 648
	\$3 900 405	\$3 810 819	\$3 983 325	\$4 537 568	\$4 750 508	\$5 061 896	\$5 590 706



**APPENDIX B**  
**PHILADELPHIA ELECTRIC COMPANY**  
*Income Account (Year ending December 31)*

	1900	1901	1902	1903
Gross revenue from all sources.....	\$1 986 897 00	\$3 295 971 00	\$3 422 411 82	\$3 665 045 49
Expenses, taxes, fixed charges, etc.....	1 555 400 00	2 980 791 00	2 967 968 97	3 053 443 41
Net income for year.....	\$131 497 00	\$315 180 00	\$454 442 85	\$611 602 08
Surplus account previous year.....	.....	131 497 00	446 677 20	563 567 99
Available for dividends.....	.....	.....	.....	.....
Dividends during the year.....	.....	.....	\$901 120 05	\$1 175 170 07
.....	.....	.....	337 552 06	375 035 21
Surplus for year.....	\$131 497 00	\$446 677 00	\$563 367 99	\$800 134 86
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
Gross earnings.....	\$3 873 911 49	\$4 104 113 84	\$4 503 878 38	\$4 984 350 61
Operating expenses, taxes, fixed charges and depreciations.....	3 167 128 18	3 293 097 36	3 683 161 10	4 075 001 30
Net Income.....	\$706 783 31	\$811 016 48	\$820 717 28	\$909 349 31
Dividends during year.....	406 261 78	499 935 00	499 935 00	499 935 00
Surplus for year.....	\$300 521 53	\$311 081 48	\$320 782 28	\$409 414 31
Previous surplus.....	800 134 86	1 100 656 39	1 411 737 87	1 732 520 15
Total surplus.....	\$1 100 656 39	\$1 411 737 87	\$1 732 520 15	\$2 141 934 46

**APPENDIX B—Continued**  
**PHILADELPHIA ELECTRIC COMPANY**  
*Income Account (Year ending December 31)*

	1908	1909	1910	1911	1912	1913	1914
Gross earnings.....	\$5 244 963 78	\$5 489 903 35	\$5 946 026 24	\$6 425 590 47	\$7 051 497 17	\$7 815 615 11	\$8 160 025 29
Operating expenses, taxes, fixed charges and depre- ciation.....	4 285 301 13	4 287 642 10	4 729 647 30	5 021 848 81	5 385 307 61	5 887 371 90	6 181 046 24
Net income.....	\$959 662 65	\$1 202 261 25	\$1 216 378 94	\$1 403 741 66	\$1 666 189 56	\$1 928 243 21	\$1 978 979 05
Dividends during year....	711 068 64	809 780 32	877 237 39	899 724 45	974 668 99	1 180 815 34	1 574 308 51
Surplus for year.....	\$248 954 01	\$392 480 93	\$339 141 55	\$504 017 21	\$691 520 57	\$747 427 87	\$404 670 54
Previous surplus....	11 142 424 46	1 391 018 47	1 284 234 40	623 375 95	1 127 393 16	1 319 648 73	1 067 076 60
Total surplus.....	\$1 391 018 47	\$1 783 499 40	\$623 375 95	\$1 127 393 16	\$1 818 913 73	\$1 067 076 60	\$1 471 747 14

<sup>1</sup> Stock dividend of \$999,510 was declared out of surplus in 1908.

<sup>2</sup> Stock dividend of \$1,499,265 was paid out of surplus on March 15, 1910.

<sup>3</sup> Stock dividend of \$1,499,265 paid from surplus on December 1, 1913.

APPENDIX B—Continued  
PHILADELPHIA ELECTRIC COMPANY  
*Balance Sheet (As of December 31)*

Assets	1900	1901	1902	1903	1904
Subscriptions to capital stock.....	\$21 234 567 00	\$19 985 400 00	\$17 487 225 00	\$17 487 225 00	\$14 989 050 00
Unpaid instalments.....	16 966 00	5 397 00	11 196 25	8 122 50	20 612 50
Charter and organisation.....	35 631 00	35 631 00	35 631 26	35 631 26	35 631 26
Stocks, miscellaneous companies.....	17 118 567 00	17 113 910 00	17 769 585 87	17 819 152 95	17 853 386 13
Philadelphia Electric Co. trust certif. 4s.....	.....	.....	1 379 979 11	1 379 979 11	1 379 979 11
Cash.....	234 501 00	52 439 00	511 700 11	99 150 83	1 651 806 25
Supplies.....	.....	.....	.....	.....	61 058 27
Accounts receivable.....	.....	2 232 060 00	279 646 77	127 446 78	346 397 94
Accrued items.....	.....	(Accrued earnings)	2 450 580 73	.....	.....
Advanced payments.....	.....	.....	1 620 71	1 405 13	1 405 21
Advanced to subsidiary companies.....	.....	.....	606 306 41	2 685 104 13	3 945 974 30
Office furniture and fixtures.....	228 00	.....	850 28	850 28	850 28
Liability insurance, accident fund.....	15 047 00	15 047 00	35 047 50	15 047 50	15 047 50
Stock, The Phila. Elec. Co. of Pa.....	.....	.....	.....	1 421 500 00	1 520 000 00
Mortgage loan (Susquehanna and Blair).....	.....	.....	.....	.....	5 000 00
Investment.....	262 183 00	140 617 00	.....	.....	.....
Loan account.....	580 000 00	543 000 00	.....	.....	.....
Advanced general expenses.....	1 875 00	.....	.....	.....	.....
Accrued earnings, miscellaneous companies.....	863 217 00	1 756 006 00	.....	.....	.....
Construction account.....	.....	316 769 00	.....	.....	.....
Miscellaneous.....	.....	25 836 00	.....	.....	.....
	\$40 362 786 00	\$42 222 115 00	\$40 569 370 00	\$41 080 615 47	\$41 806 198 75

## APPENDIX B—Continued

## PHILADELPHIA ELECTRIC COMPANY

Balance Sheet (As of December 31)—Continued

Assets	1905	1906	1907	1908	1909
Subscriptions to capital stock.....	\$14 989 050 00	\$14 989 050 00	\$14 989 050 00	\$11 491 605 00	\$11 491 605 00
Unpaid instalments.....	7 955 00	5 402 50	5 340 00	27 433 50	4 180 75
Charter and organization.....	25 631 26	15 631 26	15 631 26	15 631 26	15 631 26
Stocks, miscellaneous companies.....	19 359 219 60	19 369 099 60	19 367 624 60	19 370 574 60	19 403 834 60
Philadelphia Electric Co. trust certif. 4s.....	1 432 066 61	1 396 565 36	1 396 565 36	1 396 565 36	1 396 565 36
Cash.....	923 318 76	298 125 38	336 377 80	958 027 26	734 305 06
Supplies.....	315 759 24	379 697 20	526 040 33	561 531 22	528 763 92
Accounts receivable.....	444 116 00	539 197 96	497 691 36	511 858 50	571 846 68
Accrued items.....	.....	.....	.....	202 50	202 50
Advanced payments.....	.....	.....	.....	11 882 91	20 064 28
Advanced to subsidiary companies.....	5 066 463 72	5 687 663 35	7 518 626 73	7 537 662 87	8 228 357 85
Office furniture and fixtures.....	850 28	850 28	850 28	.....	.....
Liability insurance, accident fund.....	.....	.....	.....	.....	.....
Stock, The Phila. Elec. Co. of Pa.....	.....	.....	.....	.....	.....
Mortgage loan (Susquehanna and Blair).....	5 000 00	5 000 00	5 000 00	5 000 00	5 000 00
Investment.....	.....	.....	.....	.....	.....
Loan account.....	.....	.....	.....	.....	.....
Advanced general expenses.....	.....	.....	.....	.....	.....
Accrued earnings, miscellaneous companies.....	.....	.....	.....	.....	.....
Construction account.....	.....	.....	.....	.....	.....
Miscellaneous.....	.....	.....	.....	.....	.....
	\$42 569 428 47	\$42 686 282 89	\$44 658 797 72	\$41 887 974 98	\$42 400 357 26

APPENDIX B—Continued  
 PHILADELPHIA ELECTRIC COMPANY  
*Balance Sheet (As of December 31)—Continued*

Assets	1910	1911	1912	1913	1914
Subscriptions to capital stock.....	\$9 992 700 00	\$9 992 700 00	\$7 494 525 00	\$2 498 175 00	\$2 498 175 00
Unpaid instalments.....	1 032 50	676 25	1 253 75	19 100 00	1 555 00
Charter and organisation.....	15 631 26	15 631 26	15 631 26	15 631 26	15 631 26
Stocks, miscellaneous companies.....	19 721 202 48	19 725 652 48	19 726 837 51	36 890 095 33	36 891 770 33
Philadelphia Electric Co. trust certif. 4s.....	1 396 565 36	1 396 565 36	1 396 565 36	1 396 565 36	1 396 565 36
Cash.....	398 525 28	393 305 48	494 906 74	1 721 835 52	1 056 516 01
Supplies.....	656 944 34	628 228 10	647 354 14	815 774 62	702 549 59
Accounts receivable.....	678 655 67	964 476 59	742 291 70	776 291 38	832 276 01
Accrued items.....	245 22	402 50	402 50	402 50	402 50
Advanced payments.....	20 522 34	8 081 63	5 381 40	46 191 34	18 762 07
Advanced to subsidiary companies.....	8 927 081 18	10 525 188 45	12 810 507 04	.....	298 585 99
Office furniture and fixtures.....	.....	.....	.....	.....	.....
Liability insurance, accident fund.....	.....	.....	.....	.....	.....
Stock, The Phila. Elec. Co. of Pa.....	.....	.....	.....	.....	.....
Mortgage loan (Susquehanna and Blair).....	.....	.....	.....	.....	.....
Investment.....	5 000 00	.....	.....	.....	.....
Loan account.....	.....	.....	.....	.....	.....
Advanced general expenses.....	.....	.....	.....	.....	.....
Accrued earnings, miscellaneous companies.....	.....	.....	.....	.....	.....
Construction account.....	.....	.....	.....	.....	.....
Miscellaneous.....	.....	.....	.....	.....	.....
	\$41 852 105 63	\$43 650 908 10	\$43 325 656 40	\$44 180 062 31	\$43 712 789 12

APPENDIX B—Continued  
PHILADELPHIA ELECTRIC COMPANY

*Liabilities*

	1900	1901	1902	1903	1904
Capital stock, amount called.....	\$3 752 982 00	\$5 002 350 00	\$7 500 525 00 }	\$24 987 750 00	\$24 987 750 00
Amount subject to assessment.....	21 234 567 00	19 985 400 00	17 487 225 00 }		
P. E. ctfs. 4s Land T. & T. Co.....	15 013 512 00	15 014 142 00	15 014 142 00	15 014 142 00	15 014 142 00
Accounts payable.....	225 366 00	564 046 00	3 910 01	278 588 61	703 650 00
Profit and loss.....	131 497 00	446 677 00	563 567 99	800 134 86	1 100 656 39
Accounts payable general.....					
Accounts payable own companies.....					
Accrued state taxes.....					
Accrued payments on tr. ctfs.....					
Accrued sundries.....					
Notes payable.....		650 000 00			
Dividends unpaid.....					
Instalment No. 3.....	4 860 00				
Loan subsidiary companies.....		559 500 00			
	\$40 352 786 00	\$43 222 115 00	\$40 569 370 00	\$41 080 615 47	\$41 806 198 75

APPENDIX B—Continued  
PHILADELPHIA ELECTRIC COMPANY

Liabilities—Continued

	1905	1906	1907	1908	1909
Capital stock, amount called.....	\$24 987 750 00	\$24 987 750 00	\$24 987 750 00	\$24 987 750 00	\$24 987 750 00
Amount subject to assessment.....					
P. E. cts. 4s Land T. & T. Co.....	15 014 142 00	15 014 142 00	15 014 142 00	15 014 142 00	15 014 142 00
Accounts payable.....	.....	666 748 14	910 214 74	239 366 80	.....
Profit and loss.....	1 411 737 87	1 732 520 15	2 141 934 46	1 391 018 47	1 783 499 40
Accounts payable general.....	771 393 76	.....	.....	.....	354 858 81
Accounts payable own companies.....	384 404 84	.....	.....	.....	.....
Accrued state taxes.....	.....	64 710 55	113 232 12	80 061 21	88 847 95
Accrued payments on tr. cts.....	.....	165 779 50	165 979 50	165 779 50	165 779 50
Accrued sundries.....	.....	54 632 55	5 724 90	5 106 00	4 947 60
Notes payable.....	.....	.....	1 320 000 00	.....	.....
Dividends unpaid.....	.....	.....	.....	4 751 00	532 00
Instalment No. 3.....	.....	.....	.....	.....	.....
Loan subsidiary companies.....	.....	.....	.....	.....	.....
	\$42 569 428 47	\$42 686 282 89	\$44 658 797 72	\$41 887 974 98	\$42 400 357 26

APPENDIX B—Continued  
PHILADELPHIA ELECTRIC COMPANY  
*Liabilities—Continued*

	1910	1911	1912	1913	1914
Capital stock, amount called.....	\$24 987 750 00	\$24 987 750 00	\$24 987 750 00	\$24 987 750 00	\$24 987 750 00
Amount subject to assessment.....	15 014 142 00	15 014 142 00	15 014 142 00	15 014 142 00	15 014 142 00
P. E. cts. 4s Land T. & T. Co.....	.....	677 478 81	1 135 478 01	818 454 37	821 748 65
Accounts payable.....	623 375 95	1 127 393 16	1 818 913 73	1 067 076 60	1 471 789 12
Profit and loss.....	457 343 79	.....	.....	.....	.....
Accounts payable general.....	.....	.....	.....	1 495 363 92	.....
Accounts payable own companies.....	.....	.....	.....	.....	.....
Accrued state taxes.....	.....	.....	.....	.....	.....
Accrued payments on tr. cts.....	269 493 89	344 144 13	369 372 66	347 275 42	417 747 14
Accrued sundries.....	.....	.....	.....	.....	.....
Notes payable.....	500 000 00	1 500 000 00	.....	450 000 00	1 000 000 00
Dividends unpaid.....	.....	.....	.....	.....	.....
Instalment No. 3.....	.....	.....	.....	.....	.....
Loan subsidiary companies.....	.....	.....	.....	.....	.....
	\$41 852 105 63	\$43 650 908 10	\$43 325 656 40	\$44 180 062 31	\$43 712 789 12



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